

## Message Text

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INFO OCT-01 ARA-16 ISO-00 EUR-25 EA-11 AF-10 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 IO-14 DRC-01 /230 W

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R 071900Z DEC 73

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9130

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E.O. 11652: N/A

TAGS: ETRD, EAGR, GY

SUBJECT: GUAYANA'S SUGAR INDUSTRY

REF: A-9355 DATED NOVEMBER 13, 1973

FOLLOWING INFORMATION IS GIVEN IN ORDER OF QUESTIONS IN REPAIR:

3(A) IN GUYANA SUGAR IS THE PRINCIPAL AGRICULTURAL EXPORT, AND IS SECOND ONLY TO BAUXITE/ALUMINA IN DOLLAR VALUE OF ALL EXPORTS. FOR THE FOUR-YEAR PERIOD (1969-1972) SUGAR CONSTITUTED AN AVERAGE 62 PERCENT OF TOTAL AGRICULTURAL PRODUCTION BY VALUE. IN 1972, OF THE \$58 MILLION (ALL \$US) AGRICULTURAL PORTION OF GNP, SUGAR MADE UP \$38 MILLION.

(B) CORPLAND AND PROCESSING FACILITIES ARE PRIMARILY OWNED BY TWO FOREIGN COMPANIES, BOOKERS MC CONNELL LTD., AND JESSEL SECURITIES, LTD. BOTH OF THE UK. THE BOOKERS HOLDINGS ARE BY FAR THE LARGER OF THE TWO, COMPRISING NINE ESTATES AND NINE OF THE ELEVEN MILLS. JESSEL (LOCALLY REFERRED TO BY ITS SUBSIDIARY NAME AS HE DEMERRA CO., LTD.) OWNS TWO ESTATES AND THE TWO REMAINING MILLS, THREE ESTATES ARE OWNED BY LOCAL INTERESTS. TOGETHER BOOKERS AND JESSEL ACCOUNT FOR 90 PERCENT

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OF CANE PRODUCTION. THE REST IS PRODUCED BY SOME 5,000 SMALL

HOLDERS. ESTIMATED FIXED ASSETS OF ABOUT \$50 MILLION IS ONLY FIGURE AVAILABLE TO INDICATE VALUE OF HOLDINGS OF MAJOR PRODUCERS. (C) GUYANA'S SUGAR INDUSTRY IS MODERN BY WEST INDIAN STANDARDS. ALL CANE IS GROWN ALONG THE NARROW COASTAL BELT USING LABOR-INTENSIVE METHODS. IRRIGATION/DRAINAGE CANALS ALSO SERVE AS WATERWAYS FOR TRANSPORT OF CANE TO THE MILL BY BARGES, LOCALLY REFERRED TO AS PUNTS. THERE ARE SOME 5,000 MILES OF THESE CANALS. FACTORY MILLING CAPACITIES RANGE FROM 45 TO 179 TONS PER HOURS. AVERAGE FOR ALL ELEVEN FACTORIES IS 109 TONS PER HOUR. ACREAGE UNDER CULTIVATION ROSE OVER THE PAST FOUR YEARS FROM 120,484 TO 133,884, AN INCREASE OF 11 PERCENT. OF THIS INCREASE MORE THAN HALF WAS DUE TO WIDER CULTIVATION BY SMALL FARMERS. GOG GOAL IS TO HAVE SMALL CANE FARMERS CONTRIBUTE ONE-THIRD OF PRODUCTION BY 1980. TO ACHIEVE THIS THE GOG HAS SET UP A NATIONAL CANE FARMING COMMITTEE AND A CANE FARMING DEVELOPMENT CORPORATION TO ASSIST SMALL INDEPENDENTS. (D) BY VIRTUE OF HEIR SIZE AND IMPORTANCE TO THE ECONOMY BOOKER AND JESSEL INTERESTS INFLUENCE NATIONAL AGRICULTURAL POLICY. THERE IS AN UNEASY, BUT AT THE WORKING LEVEL, REALISTIC RELATIONSHIP BETWEEN GOVERNMENT AND INDUSTRY. THE GUYANA SUGAR PRODUCERS ASSOCIATION (GSPA), AN INDUSTRY SPOKESMAN, WORKS CLOSELY WITH THE GOG ON EXPORT AND INDUSTRIAL RELATIONS MATTERS AND PROVIDES MUCH-NEEDED EXPERTISE. THE GSPA AND INDIVIDUAL GROWERS DO NOT MEDDLE IN POLITICAL INTRIGUES, AND STUDIOUSLY AVOID ANY MANIPULATIVE BEHAVIOUR WHICH MIGHT LEAD TO CONFRONTATION. SUGAR IS A NOW AND THEN WHIPPING BOY OF THE PRESENT PNC- LEADERSHIP. THERE IS OCCASIONAL TALK OF NATHNALIZATION, BUT THE GOG IS OBVIOUSLY RELUCTANT TO MOVE AHEAD ON THE MATTER NOT THE LEAST BECAUSE IT WOULD MEAN THE BLACK-RULED GOVERNMENT WOULD INHERIT AN INDUSTRY COMPOSED LARGELY OF HOSTILE EAST INDIAN WORKERS. (E) EXPORT MARKETING IS HANDLED THROUGH WISA (WEST INDIES SUGAR ASSOCIATION) WHICH REPRESENTS THE COMMONWEALTH CARIBBEAN. EXPORT PRODUCTION QUOTAS ARE ASSIGNED BY WISA TO EACH MEMBER COUNTRY. GUYANA HAS FOR THE PAST SEVERAL YEARS PICKEXEUP THE SHORTFALLS OF OTHER MEMBERS. THE UK IS THE MAJOR MARKET UNDER A QUOTA AGREEMENT, WITH GUYANA SUPPLYING ON THE AVERAGE 224,000 SHORT TONS. THE US IS THE SECOND LARGEST MARKET. IF AND WHEN THERE IS SOMETHING LEFT OVER FROM QUOTA COMMITMENTS CANDA SERVES AS A THIRD MARKET. PM BURNHAM HAS REPEATEDLY STATED HIS DESIRE TO SELL SOME SUGAR TO THE PEOPLES REPUBLIC LIMITED OFFICIAL USE

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OF CHINA.

(F) THE SUGAR INDUSTRY IN GUYANA, BY FAR THE LARGEST EMPLOYER, PROVIDES WORK FOR NEARLY 15 PERCENT OF THE WORKING POPULATION. TOTAL DIRECT EMPLOYMENT BY THE TWO MAJOR PRODUCERS VARIED LITTLE IN THE PAST FOUR YEARS AND WAS AS FOLLOWS IN 1972:

|     | FIELD  | FACTORY |
|-----|--------|---------|
| MAX | 18,976 | 3,214   |
| MIN | 7,846  | 2,872   |

ABOVE FIGURES DO NOT INCLUDE THE 5,000 INDEPENDENT CANE FARMERS. EXISTENCE OF TWO ANNUAL CROPS MEANS EVEN SEASONAL SUGAR WORKERS ARE EMPLOYED FOR ALL BUT FORTY TO FIFTY WORKING DAYS PER YEAR. WITH UNEMPLOYMENT HIGH IN GUYANA, NO SHORTAGE OF LABOR IS ANTICIPATED IN NEXT FOUR YEARS AND SURVIVAL OF INDUSTRY IS LIKELY TO BE CRITICAL TO GOV EMPLOYMENT POLICY. WORKERS IN SUGAR INDUSTRY, IN PAST VICTIMS OF EXPLOITATION, NOW ENJOY IMPROVED WORKING AND LIVING CONDITIONS. HOWEVER, THEY REMAIN LEAST SOPHISTICATED, LEAST DISCIPLINED, AND MOST RADICAL ELEMENT OF LABOR FORCE. THIS TENDS TO MAKE SUGAR INDUSTRY HIGHLY SUSCEPTIBLE TO WORK STOPPAGES. FURTHER COMPLICATING LABOR PICTURE IS CONTINUING JURISDICTIONAL DISPUTE BETWEEN UNIONS, MANPOWER CITIZENS' ASSOCIATION AND GUYANA AGRICULTURAL WORKERS' UNION WHICH IS ARM OF COMMUNIST ORIENTED OPPOSITION PEOPLES PROGRESSIVE PARTY.

(G) THERE IS NO FOREIGN ASSISTANCE CURRENTLY FOR SUGAR INDUSTRY, NOR IS ANY PLANNED.

(H) GUYANA SUFFERS FROM USUAL CLIMATOLOGICAL VAGARIES SUCH AS DROUGHT, EXCESSIVE RAIN, AND INTERMITTENT PERIODS OF CLOUDY WEATHER ALL OF WHICH REDUCE CANE GROWTH OR SUCROSE CONTENT. ADVERSE WEATHER FACTORS DURING PAST TWO CROP YEARS (1972 AND 1973) HAVE BEEN UNUSUALLY SEVERE. OTHER PROBLEMS INCLUDE WORK STOPPAGES FOR REASONS GIVEN IN 3(F). PLANT DISEASES AND WEEDS ARE CONTROLLED BY MODERN METHODS INCLUDING SPRAYING FROM AIRCRAFT.

SHORT TONS CANE REAPED PER ACRD

|       |       |       |
|-------|-------|-------|
| 1970  | 1971  | 1972  |
| 38.80 | 34.82 | 31.10 |

POUNDS OF SUGAR PER SHORT TON OF CANE  
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|        |        |        |
|--------|--------|--------|
| 167.64 | 173.78 | 174.97 |
|--------|--------|--------|

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 EUR-25 EA-11 AF-10 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20

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4. (A) THE GOG DOES NOT PROVIDE PRICE SUPPORT OR OTHER FISCAL INCENTIVES WITH THE EXCEPTION OF DUTY-FREE PRIVILEGES FOR AGRICULTURAL MACHINERY, EQUIPMENT AND FERTILIZER. (B) DOMESTIC WHOLESALE AND RETAIL SUGAR PRICES ARE CONTROLLED BY THE GOG. THE LARGEST SELLING VARIETY (DAR CRYSTAL) HAS RETAILED FOR \$.03 PER POUND SINCE 1951. WHOLESALE PRICE HAS ALSO REMAINED STABLE FOR T VS VARIETY AT \$.029 PER POUND. FROM MARKET STANDPOINT THE PRICES ARE UNREALISTICALLY LOW AND PRODUCERS SUPPLY THE DOMSTIC SECTOR AT A DEFINITE LOSS. DOMESTIC CONSUMPTION HOWEVER, ONLY ACCOUNTS FOR TEN PERCENT OF PRODUCTION, AND DOES NOT EFFECT PRODUCTION LEVELS. (C) LATEST ESTIMATE OF COST OF PRODUCTION F.OB. THE FACTORY (1971) IS \$103.13 PER SHORT TON. NO SIGNIFICANT REGIONAL VARIATIONS. (D) GOG PLANS FOR EXPANSION OF THE SUGAR INDUSTRY ARE AIMED AT INCREASING PRODUCTION TO ALMOST 549,000 SHORT TONS ANUALLY BY 1976. THIS INVOLVES PUTTING ABOUT 33,000 ADDITIONAL ACRES UNDER CULTIVATION PRIMARILY BY SMALL FARMERS. ALTHOUGH SUGAR WILL CONTINUE TO RECEIVE THE MAIN EMPHASIS ON THE ESTATES, THE GOG IS ALSO ENCOURAGING DIVERSIFICATION. TO THIS END ONE COMPANY (BOOKERS) HAS ESTABLISHED A SMALL TECHNICAL GROUP (PROJECT LIMITED OFFICIAL USE

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EVALUATION UNIT) WHICH IS SEEKING ALTERNATIVE AGRICULTURAL INVESTMENTS, AS WELL AS SECONDARY USES FOR CANE WASTES. THERE ARE NO FISCAL INCENTIVES PLANNED. PRIVATE RE-INVESTMENT IN THE INDUSTRY HAS AVERAGED ABOUT \$4.5 MILLION ANNUALLY. THIS IS EXPECTED TO INCREASE TO \$5 MILLION IN 1974. (E) GOG OBTAINS REVENUE FROM SUGAR INDUSTRY THROUGH AN EXPORT TAX OF \$.45 PER LONG TON (ABOUT \$.41 PER SHORT TON AT CURRENT

EXCHANGE RATE). ALSO, CORPORATE INCOME AND PROPERTY TAXES ARE LEVIED ON THE INDUSTRY.

(F) NET EARNINGS BEFORE TAXES ARE DISTRIBUTED ON THE FOLLOWING BASIS: ANNUAL EARNINGS OVER AND ABOVE 10 PERCENT OF EMPLOYED CAPITAL ARE SHARED WITH EMPLOYERS. THE CURRENT RATE IS 60 PERCENT OF EARNINGS FOR EMPLOYEES, THE REMAINDER FOR INDUSTRY. OF THE REMAINDER, 45 PERCENT IS TAXED BY GOG. INDUSTRY RETAINS OR DISTRIBUTES TO SHAREHOLDERS SOME 22 PERCENT OF ITS EARNINGS. IN FACT, INDUSTRY HAS NOT YET DETERMINED ITS COSTS OF PRODUCTION FOR 1972, NOR HAVE THE 1971 EARNINGS BEEN SHARED. THIS HAS BEEN THE SUBJECT OF LABOR UNREST AND IS LIKELY TO CONTINUE UNTIL THERE IS AN EQUITABLE SETTLEMENT.

SUMMARY: SUGAR IS THE MOST IMPORTANT AGRICULTURAL SECTOR IN GUYANA, THE LARGEST EMPLOYER OF LABOR, AND THE INDUSTRY IN WHICH THE COUNTRY HAS HAD THE MOST EXPERIENCE. IT WILL CONTINUE TO GROW AS LONG AS IT REMAINS IN PRIVATE HANDS, AND THE MARKETS ARE STRONG. SOME LABOR TROUBLES WILL ALWAYS PLAGUE THE INDUSTRY EVEN WHEN WAGES AND BENEFITS ARE NO LONGER MAJOR ISSUES, AND THAT TIME IS A LONG WAY OFF. THE BOOKER MC CONNELL FIRM IS ALSO HEAVILY INVESTED IN GUYANA IN NON-SUGAR ENTERPRISES. IT IS ONE OF THE MORE ENLIGHTENED EMPLOYERS, AND CAN BE EXPECTED TO SUPPORT FORWARD PROGRESS IN THE SUGAR INDUSTRY, ALTHOUGH IT WILL NOT INCREASE ITS HOLDINGS SIGNIFICANTLY, AT LEAST PARTIALLY BECAUSE OF GOG POLICY. NATIONALIZATION OF SUGAR, WHILE NOT IMMINENT, MAY PROVIDE A SERIOUS THREAT IN THE LONGER TERM. LOCAL INDUSTRY OFFICIALS, WHILE NOT BUBBLY WITH OPTIMISM, BELIEVE THAT SUGAR PRODUCTION IS A WAY OF LIFE HERE, AND NOT LIKELY TO BE ASSAULTED BY GOVERNMENT. MOREOVER, SO LONG AS EAST INDIANS ARE AVAILABLE AND WILLING TO DO THE WORK, CANE WILL MAINTAIN ITS PREEMINENT POSITION IN GUYANA'S ECONOMY. KING

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Secure:** OPEN  
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